



## ACCOUNTING STANDARDS BOARD

### **Minutes of a meeting of the Accounting Standards Board (2008:05) held on 10 April 2008 at Aldwych House, 71-91 Aldwych, London, WC2**

#### PRESENT

Ian Mackintosh	Chairman
David Loweth	Technical Director
Nick Anderson	
Edward Beale	
Marisa Cassoni	
Robert Overend	
Andy Simmonds	
Geoffrey Whittington	

#### IN ATTENDANCE

Andrew Lennard	Director of Research
Simon Peerless	Secretary
Michael Kavanagh	IAASA Observer
David Tyrrall	BERR
David Watkins	HM Treasury
Ian Wright	FRC Director of Corporate Reporting (for Item 4)
Roger Nicklen	Minutes Secretary

Technical Staff: Michelle Crisp (MDC), Peter Godsall, Melanie Kerr, Janice Lingwood, Alan O'Connor.

APOLOGIES FOR ABSENCE were received from Mike Ashley and Peter Elwin.

#### 1 MINUTES OF MEETING

The minutes of the meeting held on 13 March 2008 (2008:07) were agreed subject to one correction and approved for publication.

#### 2 CHAIRMAN'S UPDATE AND REPORTS

2.1 The Board noted the publication by the International Accounting Standards Board (IASB) of Discussion Papers on post employment benefits and on financial instruments

2.2 The Board also noted the appointment of two additional members to the International Financial Reporting Interpretations Committee (IFRIC) and was informed of the launch by the International Accounting Standards Foundation (IASCF) Trustees of the next constitution review with a promise to publish proposals on public accountability and the size and geographical diversity of the IASB later in the month with a comment deadline of end July.

2.3 The Board noted recent criticisms of the fair value rules by three members of the European Financial Reporting Advisory Group (EFRAG) Technical Experts Group (TEG), made in the context of current market turmoil, and noted that these comments did not represent the official TEG view. The Board also discussed the desirability of undertaking its own review of the criticism of the fair value rules and agreed to consider the issues further at a future meeting.

2.4 The Board was informed of a successful meeting of National Standard Setters held in Melbourne on 27-28 March the formal record of which would be placed on the Board's website in due course.

2.5 The Board noted the further progress being made in the discussions between the European Commission, the Chair of the EFRAG Supervisory Board and the Chairs of the three major European standard-setters in relation to creating a more effective voice for Europe on financial reporting issues.

2.6 The Board received an oral report on a recent EFRAG TEG discussion of IFRS 3 'Business Combinations'.

2.7 The Board noted publication in the Official Journal on 9 April of the Amendment to the IAS Regulation giving the European Parliament and the Council three months to consider endorsement proposals and more power to veto endorsement.

2.8 The Board was informed that the agenda for the next EFRAG/IASB meeting would include current market issues, the IASB/FASB work programme, an update on Pro-active Accounting Activities in Europe (PAAinE) activities, a discussion on cross-cutting issues in the light of the IASB's intention to try to bring cross-cutting issues to its Board in a more co-ordinated fashion and a discussion on effects studies and how they might be included at the exposure draft (ED) stage.

2.9 The Board noted the final advice from the Committee of European Securities Regulators (CESR) on the equivalence between IFRS and Chinese, Japanese and US GAAP.

2.10 The Board noted that the Regulations reaffirming the ASB as a prescribed accounting standard setter under the Companies Act 2006 had come into force on 6 April and was informed that under recent changes made to the legal status of the FRC the ASB was no longer a separate limited company.

2.11 The Board noted the Status Report and approved its publication. The Board also noted the Activity Report.

### 3 CONVERGENCE WITH IFRS

3.1 The Board considered a first draft of a discussion paper on the future application of reporting requirements for UK companies.

3.2 The Board discussed the criteria for determining which UK companies should be required to apply full International Financial Reporting Standards (IFRS) (tier 1), the IFRS for Small and Medium-sized Entities (SMEs) (tier 2) and the Financial Reporting Standard for Smaller Entities (FRSSE) (tier 3), considering in particular the definition to be used to determine public accountability, whether there should be a size criterion in addition to public accountability for companies falling in tier 1, the accounting requirements for subsidiaries of tier 1 companies, the relevance for the Board's strategy of progress with the development of the IFRS for SMEs and the arguments for retention of the FRSSE. The Board also discussed the cost benefit case for convergence.

3.3 The Board noted that the IASB planned to complete all its work on the IFRS for SMEs by Q1 2009.

3.4 The Board agreed that use of full IFRS should remain as an option for all UK companies and tentatively agreed that private entities and subsidiaries of tier 1 entities should be allowed the option of using the IFRS for SMEs or full IFRS, subject to a review of the key differences between the two.

3.5 The Board agreed that the discussion paper should be developed to take account of the points made and brought back for further consideration at a future meeting.

### 4 COMPLEXITY IN FINANCIAL REPORTING

4.1 The Board discussed a number of issues related to the FRC's project on the complexity and relevance of corporate reporting commenting in particular on the ambitious nature of the project plan and the need to develop a clear focus on the perceptions of both preparers and users. The Board also discussed the arrangements for establishing an Advisory Panel and project roles within the FRC.

### 5 IMA SORP FOR FINANCIAL STATEMENTS OF AUTHORISED FUNDS

5.1 The Board considered an Exposure Draft (ED) of a revised Investment Management Association (IMA) Statement of Recommended Practice (SORP) on Financial Statements of Authorised Funds.

5.2 The Board approved the ED for publication subject to some amendments being made to the invitation to comment.

### 6 CONTINGENT FEE ARRANGEMENTS

6.1 The Board discussed the accounting treatment of contingent fee arrangements in response to a request for advice from the Urgent Issues Task Force (UITF) which had been unable to reach a consensus on whether costs should be expensed where the contingent event had not resolved at the balance sheet date. The Board noted that the question which had led to UITF consideration of the accounting treatment of contingent fee arrangements was more closely related to the issue of whether resolution of the contingency was an adjusting post balance sheet event. On this issue the Board was of the view that it was not an adjusting event in the terms of FRS 21 'Events after the balance sheet date'.

6.2 The Board agreed to remit to the Chairman responsibility for determining the appropriate action to be taken.

## 7 DISCLOSURE OF OFF BALANCE SHEET ARRANGEMENTS

7.1 The Board considered the issue of whether to provide guidance on disclosure of off balance sheet arrangements as required by Statutory Instrument No. 393/2008 amending the Companies Act 2006. Concern had been expressed that in the absence of a clear definition of an off balance sheet arrangement companies would not be able to determine whether they were complying with the law.

7.2 The Board noted that the new requirements in the Companies Act 2006 were identical to those in European Union Directive 2004/06/EC amending the 4<sup>th</sup> and 7<sup>th</sup> Directives (bank accounts and insurance) and that the Department for Business, Enterprise and Regulatory Reform (BERR) was considering whether to provide guidance as to their purpose by drawing attention to the Recitals to the Directive.

7.3 The Board asked the UITF to work with BERR to issue a statement when BERR issues its guidance (in the form of Recital 9) to draw attention to the requirements in FRS 5.

## 8 FINANCIAL REPORTING STANDARD FOR SMALLER ENTITIES (FRSSE)

8.1 The Board considered a revision to the Financial Reporting Standard for Smaller Entities (FRSSE) that took account of recent changes to the Companies Act.

8.2 The Board confirmed that no changes should be made to the FRSSE at this stage in relation to accounting developments and agreed that as the changes all related to enacted legislative provisions public consultation on the revision would not be required.

8.3 The Board approved publication of the revised FRSSE effective from April 2008 and an accompanying Press Notice.

## 9 EU ENDORSEMENT OF IFRIC 13 'CUSTOMER LOYALTY PROGRAMMES' AND IFRS2 'SHARE-BASED PAYMENTS: VESTING CONDITIONS AND CANCELLATIONS'

9.1 The Board considered invitations to comment on EFRAG assessments of the costs and benefits of IFRIC 13 'Customer Loyalty Programmes' and of the amendment to IFRS 2 'Share-based Payments: Vesting Conditions and Cancellations'.

9.2 The Board approved responses supporting EFRAG's assessments.

#### 10 MEMBERSHIP OF THE ASSOCIATION OF INVESTMENT COMPANIES (AIC) SORP WORKING PARTY

10.1 The Board considered a proposal on the composition of the Association of Investment Companies (AIC) SORP Working Party.

10.2 The Board approved the proposed composition of the AIC SORP Working Party but commented that it would like to see more user representation.

#### 11 REPORTS OF EFRAG TEG AND IASB MEETINGS

The Board noted the reports of the February meeting of EFRAG TEG and of the March meeting of the IASB.

#### 12 NEXT MEETING

Thursday 1 May, 9.00 a.m.